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Hardin Northern Local School

11589 St. Rt. 81
Dola, Oh 45835

Doug Roberts	Jeffrey Eader	Sally Henrick	Wesley Potter
Superintendent	7-12 Principal	K-6 Principal	Treasurer
(419) 759-2331	(419) 759-3515	(419) 759-3158	(419) 759-2331

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INVESTIGATION AND AUDIT DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO

Attn: IAD
Public Utilities Commission of Ohio
180 E. Broad St.
Columbus, Ohio 43215-3793

In Reference to case numbers 11-346-EL-SSO, and 11-348-EL-SSO.

To Whom it May Concern,

On December 16, 2011, Hardin-Northern Schools executed a third party supply arrangement for lowering its electric spend. The related fixed-pricing extended by our certified retail electric supplier (CRES) was based on commodity and capacity prices as revealed by the energy markets operated by PJM; coupled with the confidence Commission decision-making would embrace and help to advance competitive markets. On average, our facilities have realized better than a 20% reduction versus the respective Price-To-Compares (PTC's), and as such, this supply arrangement has resulted in positive cash flow to the benefit of our district as we continue to seek creative ways to address budgetary concerns.

The energy consultant called upon to assist Hardin-Northern with the initiative to secure competitive supply, has kept us apprised of the uncertainties coinciding with AEP's capacity case and electric security plan. Accordingly, it is our understanding that even though Hardin-Northern has been realizing noteworthy savings, our CRES has been forced to incur losses resulting from Commission entries which have extended AEP excessive capacity prices; roughly 16 times the amount revealed by the PJM energy markets. We have also been informed that all interveners in the AEP capacity case agree that market pricing should prevail, and even the Commission Staff promotes RPM Capacity (market prices). However, for reasons that are not clear and certainly not understood, the Commission continues to extend AEP unwarranted capacity premiums, and in the event this anti-competitive decision-making continues, then our supply arrangement may ultimately be nullified, thereby bringing our favorable supply arrangement to an abrupt end.

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Hardin-Northern encourages the Commission to embrace competitive markets by requiring AEP to compete for our business. Much the same as when other companies are required to compete for AEP's business, electric deregulation was intended to advance competition between the respective investor-owned utilities. What is most perplexing, is to understand that AEP's unregulated marketing arm is currently pursuing customers served by other electric distribution utilities (EDU's); a pursuit that is predicated on the mere fact energy markets present opportunities for customers to save. But as it relates to AEP, the PUCO seems determined to protect AEP from competition, and that inconsistency is by no means equitable, nor is it comprehendible. Simply put, the PUCO is essentially extending AEP a monopoly, and Hardin-Northern may soon become another one of AEP's "captive" customers. This is wrong in more ways than anyone should care to contemplate, but in the event it becomes a reality, litigation will no doubt ensue.

Assuming competitive markets was the purpose for Ohio's deregulation legislation, then our supply initiative should be viewed in a positive light, as our actions should align perfectly with the Commission's expectations! Good faith negotiations have taken place between qualified parties and its participants have done their part in promoting true competition. On the other hand, recent Commission entries disregard or disrespect market outcomes, and as such, they are inherently counter-productive to the market's development. This anti-competitive nonsense needs to end, and there is no better time than the present.

It is time for the PUCO to serve the public interest, and it is time for AEP to compete!

Respectfully,

Wesley J. Potter
Treasurer
Hardin Northern Local Schools

CC: Senator Cliff Hite
Representative Robert Sprague